

# ***Transparency in FMS Pricing***

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**July 10, 2000**



## • ***Who is AIA?***

- ✓ **Trade association representing 60 major defense and aerospace companies**
- ✓ **Members responsible for \$62.4b in export sales in 1999**
- ✓ **Contributed \$37.4b to the balance of trade in 1999**



## • ***Pre-LOA Transparency involves:***

- ✓ **Industry prices**
- ✓ **Government prices**



## • ***Major Factors Affecting Pricing Transparency***

- ✓ **Realism of potential sale**
- ✓ **Need to protect proprietary data**
- ✓ **Service/Program office position**



## • ***Commercial vs. U.S. Government Sale***

- ✓ **Commercial sale based on commercial practice**
- ✓ **Government sale regulated by FAR/DFARS**



## • ***Commercial Sale - Many Variables***

- ✓ **Visibility at price (not cost) level**
- ✓ **Level of detail depends on many factors**
  - **Customer relations**
  - **Seriousness of inquiry**
  - **Funding availability**
  - **Definition of requirements**
  - **Time/cost to respond**



## • ***U.S. Government Sale***

- ✓ **Competitive**
- ✓ **Sole source**



# ***• U.S. Government Competitive Sale***

- ✓ **Top level prices**
- ✓ **Little visibility**



## ***• U.S. Government Sole Source Sale***

- ✓ **Cost and pricing data available to U.S. Government**
- ✓ **Verified by government auditors/contracting officer**
- ✓ **Information protected by law**



## • ***Fixed Price/Not-to-Exceed Prices Pre-LOA***

- ✓ **Risky to do**
- ✓ **Costly to prepare**
- ✓ **Lengthy proposal process**
- ✓ **Most suited to off-the-shelf products**
- ✓ **Should be exception, not the rule**



## • ***How to Achieve Transparency?***

- ✓ **Clearly defined requirements**
- ✓ **Firm funding/commitment**
- ✓ **Early involvement of government contracting officer**



## • ***Results***

- ✓ **Commercial level of price visibility**
- ✓ **Ability to make trade offs**
  - **Commercial vs. FMS vs. split awards**
  - **Price vs. performance**
- ✓ **Reliable prices**